

STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN INVENTIONS MADE IN THE PERFORMANCE OF DEFENSE PROGRAMS (DP) DEPLOYMENT USER FACILITY AGREEMENTS ENTERED INTO BY THOSE DEPARTMENT OF ENERGY (DOE) FACILITIES HAVING DP DESIGNATED USER FACILITIES, W(C)94-011.

The DOE considers its Government-Owned, Contractor-Operated (GOCO) laboratories and facilities national resources capable of providing significant contribution to the development of new products and processes, creation of jobs, enhancement of the skill level of the U.S. labor force, and in improved U.S. competitiveness.

Since 1947, the DOE -- or its predecessors the Atomic Energy Commission and the Energy Research and Development Administration -- has managed and maintained research facilities that were built for dual-use research purposes with a broad community of qualified users. These facilities, known as "Designated User Facilities", were to serve both the outside user community as well as the in-house laboratory scientific staff.

Using the authority of Section 31 and 33 of the Atomic Energy Act of 1954, as amended, the Department's predecessor agencies, the Atomic Energy Commission and the Energy Research and Development Administration, established a number of these Designated User Facilities at various of its GOCO laboratories and facilities. The Designated User Facilities were originally sponsored out of the Office of Energy Research and many were of a design, e.g., the high energy physics facility, that permitted the user to perform the research in the facility.

The Department granted a Class Patent Waiver for the Designated User Facilities in 1982 and the scope of the waiver was limited to the inventions made by the sponsor or user in the performance of the research under the User Agreement. This was consistent with the use and purpose established for these unique facilities, wherein the laboratory operator, except for those activities necessary to ensure health and safety requirements of the GOCO contract, performed no research under the User Agreement.

The ever-changing geo-political environment has resulted in profound changes to the DOE's nuclear weapons complex and the way we interact with the U.S. private sector. Defense Programs (DP) is actively involved in making available selective appropriate laboratories and facilities to outside users. These facilities are considered to be unique and are designated as Technology Deployment Centers/User Facilities (TDC/UFs) with emphasis on both economic competitiveness and National Security.

Under Section 649 of the Department of Energy Organization Act (P.L. 95-91, 42 U.S.C. 7259), the Secretary of Energy is authorized to permit the use of DOE real property, structures or facilities by public or private agencies, corporations or other organizations.

While the Designated User Facilities and Class Patent Waiver have been generally successful in meeting the needs of the private sector and academia for access to these unique facilities, there is a need to provide for more collaborative efforts between the private sponsor and the GOCO laboratories. This is especially seen in the DP area and its recent effort to establish TDC/UFs at a number of its laboratories and facilities. These facilities, unlike the ER Designated User Facilities, are directed more to applications or deployment uses which dictate that the user and the laboratory perform collaborative work under the agreement.

To this end, DP has delegated the authority to the Field Offices to establish a number of TDC/UFs at various GOCO facilities. The criteria for TDC/UF agreements is as follows:

- 1. The work is to be done in a designated TDC/UF.**
- 2. The TDC/UF should be available for use by the requester (herein User) without adverse impact on existing programs.**
- 3. The facility and supporting facility expertise should not be in competition with the private sector.**
- 4. The facility must strictly adhere to security and classification policies and procedures.**
- 5. The facility must strictly adhere to environment, safety, and health policies and procedures.**
- 6. The principal purpose of the agreement is to have collaborative work to be performed by the user and Management and Operating (M&O) contractors. The user must be actively involved in the activity taking place at the facility.**
- 7. Use is on a full cost recovery basis subject to special consideration for small business and non-profit entities provided that there will be no Government funds-out to the user.**

Identified Invention Waiver to the Laboratory M&O Contractor

In one particular, the scope of this Class Waiver is directed to the waiver of title to the M&O contractor in identified inventions which comprises subject inventions made by employees of M&O contractors (hereinafter "Contractor Subject Inventions") in the performance of work under a TDC/UF agreement.

This waiver is consistent with the objectives and considerations of DOE's waiver regulations. It is believed that the waiver of the Government's rights to the M&O contractor for inventions made in the performance of work under a TDC/UF agreement will best promote the commercial utilization of such inventions and make the benefits of the cooperative effort widely available to the public in the shortest practicable time. It is expected that the M&O contractor will enter into appropriate license arrangements with the user at the time of contracting in a manner to encourage early commercialization of the Contractor Subject Invention but as a minimum provide the user with a non-exclusive license. Further, the waiver of the Government's rights in such inventions will enable DOE to take advantage of the technology transfer capability of the M&O contractor.

Implementation of this Class Waiver to identified inventions of the M&O contractors is to be by a simple procedure which requires:

1. reporting of the invention as required in the M&O Contract; and
2. the M&O contractor electing in writing whether or not to retain title to the invention at the time of disclosure or within two years of disclosure, subject to the right of DOE Patent Counsel to proceed with obtaining patent protection where it appears such patent protection might be lost due to a statutory bar.

After review of the invention and relevant facts, Patent Counsel will promptly determine whether the waiver is applicable to the invention.

Class Advance Waiver to User's Inventions

In another particular, the scope of this class waiver is directed to an advance waiver to the User of inventions made by employees of, or persons acting on behalf of the sponsor of the work (hereinafter, the "User") under the class of TDC/UF agreements (hereinafter "User Subject Inventions"). Since these TDC/UF agreements do not fall within the definition of "funding agreements" of P.L. 96-517, the patent policy set forth therein as applicable to small businesses and nonprofit organizations does not apply. Hence, inventions made by any small business, non-profit organization or for-profit large business Users to the agreement are intended to be covered by this class waiver.

With respect to the advance class waiver to the class of TDC/UF agreements under this program, it is expected that Users will provide full cost recovery of the efforts of the M&O contractor and of the User and the use of the designated facilities, provided, that special consideration may be given to small business and non-profit organizations. In providing full cost recovery, this advance class waiver is seen to be an extension of existing DOE patent waiver policy which recognizes that substantial cost sharing or full cost recovery by Users is an indication of commitment by the Users to advance the technology and effect commercial utilization. Additionally, the work being performed under TDC/UF agreements will typically be driven by Users' needs and will most likely be of near term commercial value. Hence, it is believed that the granting of the advance class waiver of inventions made by Users under the agreements will also make the benefits of the effort widely available to the public in the shortest practicable time and promote the commercial utilization of the waived inventions.

Implementation of the advance class waiver is to be by execution of the TDC/UF agreement in a form acceptable to the DOE. The Users cost of filing and maintaining any patent application(s) or patent(s) on their inventions will be at private expense.

It is expected that in negotiating the commercialization rights to the waived inventions, the M&O contractor and the User will be guided by the respective equities of the parties, the small business status of the User, if applicable, and the overall objective of attempting to secure the most expeditious commercialization route for moving the technology from the research state to the marketplace. Hence, it is recognized that the parties may conclude, in order to achieve the above objectives, that either the M&O contractor or the User should hold title to all of the inventions made under the agreement.

The scope of the class waiver is to the identified inventions of the M&O contractor and the advance waiver to Users. This Class Waiver does not include inventions which:

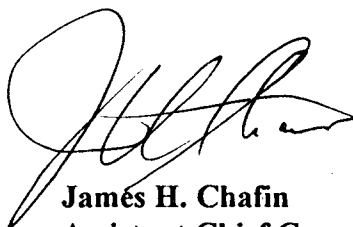
1. Relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended, or which falls within DOE's weapons programs, wherein such inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security;
2. Arise out of naval nuclear propulsion program;
3. Arise out of uranium enrichment (including isotope separation) program;

4. **Relate to storage and disposal of civilian high level nuclear waste or spent nuclear fuels; or**
5. **Come within the ambit of international agreements or treaties in existence at the time of execution of the TDC/UF agreement.**

This waiver of the Government's rights in inventions in the first case to the M&O contractor and in the second case to User, as set forth herein is subject to the Government's retention of: (1) a non-exclusive, non-transferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States, the waived invention throughout the world, and (2) march-in rights comparable to those set out in 35 U.S.C. 203.

The grant of this class waiver should not result in adverse effects on competition or market concentration. DOE has the right to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If the M&O contractor or User is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in rights and require licensing of the invention.

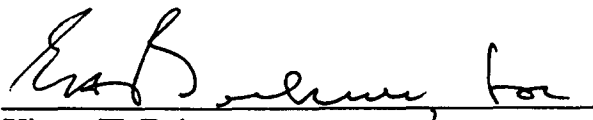
Accordingly, in view of the stated objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, all of which have been considered, it is recommended that the class waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.



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Based on the foregoing Statement of Considerations, it is determined that the interests of the United States and the general public will best be served by waiver of the United States and foreign patent rights as set forth herein and, therefore, the waiver is granted. This waiver shall not affect any waiver previously granted.

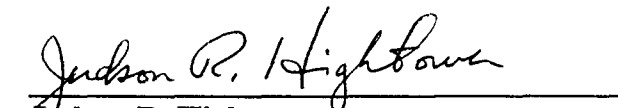
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